

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

Prepared by the
Finance Department
Brian Redshaw, City Administrator

**CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
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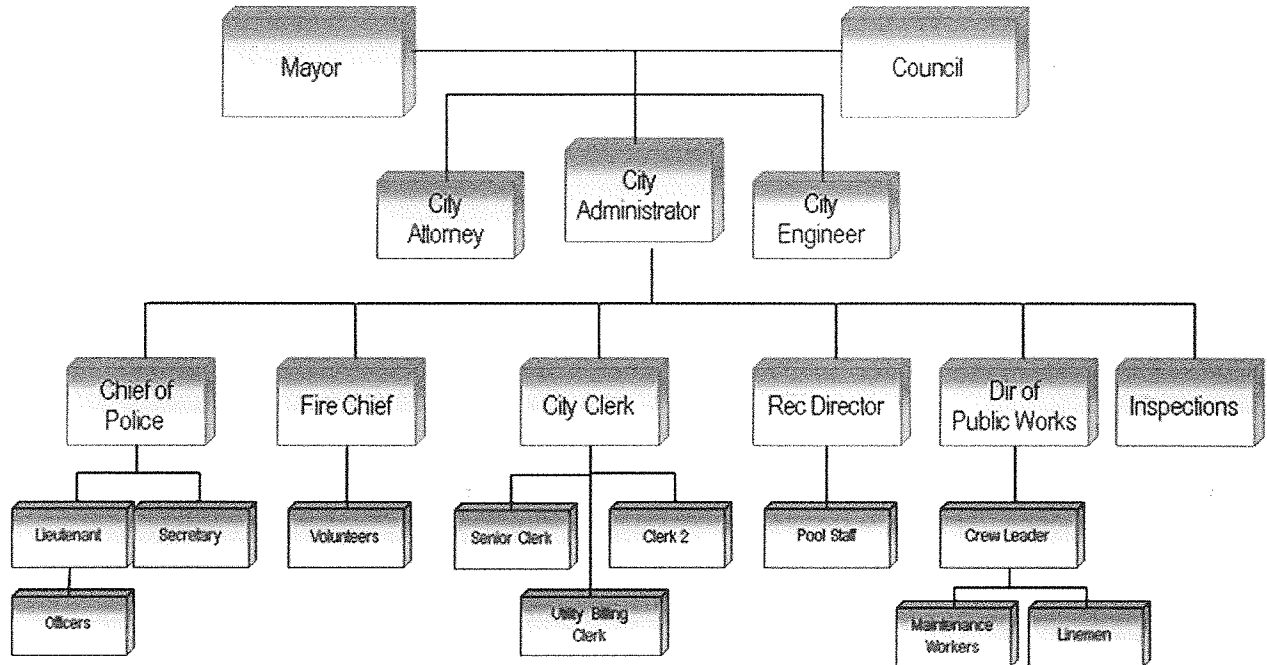
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CITY OF SERGEANT BLUFF, IOWA

Organizational Chart June 30, 2012



CITY OF SERGEANT BLUFF

List of Principal Officials
June 30, 2012

Title	Name
Mayor	Dale Petersen
Council Member and Mayor Pro-Tem.....	Ron Hanson
Council Member.....	Bill Gaukel
Council Member.....	Nicole Cleveland
Council Member.....	Glenda Moriarty
Council Member.....	Don Wood
City Engineer	Aaron Lincoln
City Attorney	Sarah Kleber
City Administrator.....	Brian Redshaw
City Clerk/Treasurer.....	Renee Fangman
Public Works Director	Mark Huntley
Code Enforcement Officer	Cindy Houlihan
Chief of Police.....	Dave McFarland
Fire Chief.....	Anthony Gaul
Recreation Director	Brent Brown
Library Director	Leslie Ellerbeck



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sergeant Bluff, Iowa, (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the retiree health plan on pages 5 through 13 and 50 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. We, or another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 20, 2013

Management's Discussion and Analysis

The discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2012 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets of approximately \$38.5 million are divided between Governmental Activities (\$15.8 million) and Business-Type Activities (\$22.7 million). Combined assets exceeded liabilities by approximately \$25.4 million. Of this amount, approximately \$5.1 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2012, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately \$1.8 million.
- The unassigned fund balance for the general fund, at the end of the current fiscal year was approximately \$873,000. This represents 34 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sergeant Bluff's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Sergeant Bluff's finances, in a manner similar to a private-sector business. The Statement of Net Assets is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net assets over time may be an indicator of whether the City's financial position is improving or worsening.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, community and

economic development, culture and recreation and debt service. The Business-Type Activities of the City include an electric, water, sewer, solid waste and storm water utility.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sergeant Bluff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sergeant Bluff maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds. The City of Sergeant Bluff maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, Solid Waste and Storm Water Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer Utilities.

The basic proprietary fund financial statements can be found on pages 23-30 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sergeant Bluff's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-49 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2012 and 2011:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total City</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 3,948,886	\$ 3,581,780	\$ 5,490,161	\$ 4,801,985	\$ 9,439,047	\$ 8,383,765
Capital assets	<u>11,878,375</u>	<u>12,383,708</u>	<u>17,199,163</u>	<u>14,708,493</u>	<u>29,077,538</u>	<u>27,092,201</u>
Total assets	15,827,261	15,965,488	22,689,324	19,510,478	38,516,585	35,475,966
Long-term debt						
outstanding	3,089,777	3,456,275	6,982,223	4,914,406	10,072,000	8,370,681
Other liabilities	<u>2,075,990</u>	<u>1,913,089</u>	<u>952,153</u>	<u>650,894</u>	<u>3,028,143</u>	<u>2,563,983</u>
Total liabilities	5,165,767	5,369,364	7,934,376	5,565,300	13,100,143	10,934,664
Net assets:						
Invested in capital assets,						
net of related debt	8,788,598	8,927,433	10,538,908	9,794,087	19,327,506	18,721,520
Restricted	948,600	760,471	-	-	948,600	760,471
Unrestricted	<u>924,296</u>	<u>908,220</u>	<u>4,216,040</u>	<u>4,151,091</u>	<u>5,140,336</u>	<u>5,059,311</u>
Total net assets	<u>\$ 10,661,494</u>	<u>\$ 10,596,124</u>	<u>\$ 14,754,948</u>	<u>\$ 13,945,178</u>	<u>\$ 25,416,442</u>	<u>\$ 24,541,302</u>

This summary reflects a 0.6 percent increase in governmental activities net assets and an increase of 5.8 percent increase in the business-type activities net assets.

Total revenue reported in Fiscal Year 2012 was \$8,844,606. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2012 and 2011.

Revenue Source	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 429,456	\$ 355,395	\$ 4,575,630	\$ 4,263,197	\$ 5,005,086	\$ 4,618,592
Operating grants and contributions	488,199	431,518	-	-	488,199	431,518
Capital Grants and contributions	26,874	264,773	900,629	1,785,000	927,503	2,049,773
Total program revenues	<u>944,529</u>	<u>1,051,686</u>	<u>5,476,259</u>	<u>6,048,197</u>	<u>6,420,788</u>	<u>7,099,883</u>
General revenues and interfund transfers:						
Property taxes	1,784,167	1,733,358	-	-	1,784,167	1,733,358
Local option sales tax	478,366	372,605	-	-	478,366	372,605
Hotel/motel tax	20,352	17,300	-	-	20,352	17,300
Interest	54,755	63,921	15,706	5,902	70,461	69,823
Gain on sale of assets	-	-	-	-	-	-
Miscellaneous	39,128	27,428	31,344	2,421	70,472	29,849
Interfund transfers	<u>210,226</u>	<u>(278,622)</u>	<u>(210,226)</u>	<u>278,622</u>	<u>-</u>	<u>-</u>
Total general revenues and interfund transfers	<u>2,586,994</u>	<u>1,935,990</u>	<u>(163,176)</u>	<u>286,945</u>	<u>2,423,818</u>	<u>2,222,935</u>
	<u>\$ 3,531,523</u>	<u>\$ 2,987,676</u>	<u>\$ 5,313,083</u>	<u>\$ 6,335,142</u>	<u>\$ 8,844,606</u>	<u>\$ 9,322,818</u>

Program revenues totaled \$6,420,788 for fiscal year 2012. Governmental activities provided \$944,529 and business-type activities provided \$5,476,259. Revenue collected for charges for services during the year was \$5,005,086, accounting for 78 percent of total program revenues.

General revenues and transfers for fiscal year 2012 totaled \$2,423,818, with governmental activities providing \$2,586,994, and business-type activities providing \$286,945. Property tax revenues for fiscal year 2012 totaled \$1,784,167, accounting for almost 74 percent of general revenues.

Expenses for fiscal year 2012 totaled \$7,948,665. Expenses for governmental activities totaled \$3,461,797, accounting for 44 percent of total expenses. Business-type activity expenses totaled \$4,486,868, for 56 percent of the total. The following table shows total expenses by Function/Program:

Program Level	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Public safety	\$ 1,181,221	\$ 1,317,221	\$ -	\$ -	\$ 1,181,221	\$ 1,317,221
Public works	966,161	874,347	-	-	966,161	874,347
Health and Social Services	8,884	10,200	-	-	8,884	10,200
Culture and recreation	596,153	578,937	-	-	596,153	578,937
Community and economic development	59,649	65,797	-	-	59,649	65,797
General government	544,631	566,878	-	-	544,631	566,878
Debt service	105,098	141,510	-	-	105,098	141,510
Electric utility	-	-	2,634,055	2,442,785	2,634,055	2,442,785
Water utility	-	-	735,155	672,637	735,155	672,637
Sewer utility	-	-	726,200	665,773	726,200	665,773
Solid waste utility	-	-	288,283	276,482	288,283	276,482
Storm water utility	-	-	103,175	80,358	103,175	80,358
Total expenses	<u>\$ 3,461,797</u>	<u>\$ 3,554,890</u>	<u>\$ 4,486,868</u>	<u>\$ 4,138,035</u>	<u>\$ 7,948,665</u>	<u>\$ 7,692,925</u>

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development and Community Beautification
General Government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Electric Utility	Operation of Electric Distribution System
Water Utility	Operation of Water Supply Distribution System
Sewer Utility	Operation of Waste Water Treatment Plant/Collection System
Solid Waste Utility	Operation of Garbage and Recycling Collection and Disposal System
Storm Water Utility	Operation of Storm Water Drainage System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional clarification is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, the City spent \$1,181,221 for Public Safety and received \$176,048 in revenue, leaving a cost to taxpayers of \$1,005,173 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$3,461,797. Of these costs, \$429,456 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$515,073, leaving a Net Expense of \$2,517,268 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>	
	<u>2012</u>	<u>2011</u>
Governmental activities:		
Public safety	\$(1,005,173)	\$(1,135,609)
Public works	(481,342)	(226,218)
Health and Social Services	(8,884)	(10,200)
Culture and recreation	(368,225)	(407,680)
Community and economic development	(33,124)	(37,078)
General government	(515,422)	(544,909)
Debt service	<u>(105,098)</u>	<u>(141,510)</u>
Total net (expense) governmental activities	(2,517,268)	(2,503,204)
General revenues and interfund transfers	<u>2,586,994</u>	<u>1,935,990</u>
Change in net assets	<u>\$ 69,726</u>	<u>\$ (567,214)</u>

Total resources available during the year to finance governmental operations were \$14,123,291, consisting of net assets at July 1, 2011 of \$10,591,768, program revenues of \$944,529 and general revenues and transfers of \$2,586,994. Total governmental activities during the year expended \$3,461,797; thus, net assets were increased by \$69,726 to \$10,661,494.

Business-Type Activities

Business-type activities increased the City's net assets by \$826,215.

The cost of all proprietary activities this year was \$4,486,868. As shown in the Statement of Activities, program revenue was \$5,476,259, resulting in a total Net Revenue of \$989,391.

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>	
	<u>2012</u>	<u>2011</u>
Electric utility	\$ (91,178)	\$ 30,781
Water utility	101,127	1,821,711
Sewer utility	78,765	57,793
Solid waste utility	17,869	(115)
Storm water utility	<u>882,808</u>	<u>(8)</u>
Total net revenue business-type activities	989,391	1,910,162
General revenues and interfund transfers	<u>(163,176)</u>	<u>286,945</u>
Change in net assets	<u>\$ 826,215</u>	<u>\$ 2,197,107</u>

Total resources available during the year to finance proprietary fund activities were \$19,241,816 consisting of net assets at July 1, 2011, of \$13,928,733, program revenues of \$5,476,259, and general revenues and transfers of (\$163,176). Total proprietary fund activities during the year expended \$4,486,868 thus; net assets were increased by \$826,215 to \$14,754,948.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal

year. The City's Governmental Funds reported combined ending fund balances \$1,808,425. The combined Governmental Funds balance increased \$216,260 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues and transfers exceeded expenditures in the General Fund by \$45,395. Debt Service revenues and transfers exceeded expenditures by \$17,777.

The special revenue road use tax fund is used to account for the operation of street maintenance and construction financed by allocations of the state fuel tax. During 2012, expenditures and transfers exceeded revenues by \$2,289.

The special revenue Local Option Sales Tax fund is used to account for revenues for the tax authorized by referendum and used for capital improvements, equipment and program services. During 2012, revenues exceeded expenditures and transfers by \$163,866.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

<u>Program</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 1,213,895	\$ 987,949	\$ 225,946
Public Works	508,430	406,132	102,298
Health and Social Services	10,600	8,884	1,716
Culture and Recreation	587,250	565,126	22,124
Community and Economic Development	72,300	58,228	14,072
General Government	581,240	500,245	80,995
Capital Projects	130,000	124,111	5,889
Debt Service	861,618	446,028	415,590
Business-Type/Enterprise	<u>8,049,036</u>	<u>7,096,233</u>	<u>952,803</u>
	<u>\$12,014,369</u>	<u>\$10,192,936</u>	<u>\$ 1,821,433</u>

See pages 50-52 for more detail information regarding the City's budget.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, electric systems, sewer systems, water systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2012, was \$29,077,538, (net of accumulated depreciation). This is an increase of \$1,985,337 from fiscal year 2011. The gross additions to capital assets for fiscal years 2012 and 2011 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ -	\$ -	\$ 186,367	\$ -	\$ 186,367	\$ -
Infrastructure	100,973	331,191	-	-	100,973	331,191
Buildings	5,090	898,765	-	-	5,090	898,765
Distribution system	-	-	6,512,172	73,895	6,512,172	73,895
Equipment	29,104	149,317	21,525	30,444	50,629	179,761
Construction in progress	<u>270,267</u>	<u>885,668</u>	<u>2,711,116</u>	<u>3,964,256</u>	<u>2,981,383</u>	<u>4,849,924</u>
Total	<u>\$ 405,434</u>	<u>\$ 2,264,941</u>	<u>\$ 9,431,180</u>	<u>\$ 4,068,595</u>	<u>\$ 9,836,614</u>	<u>\$ 6,333,536</u>

Construction in progress consisted of costs associated with road construction projects, the switch gear upgrade, lift station, and storm water drainage.

See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

On June 30, 2012 the City had \$6,345,000 of general obligation debt outstanding. This is a increase of \$1,375,000 from the prior year.

In addition the City drew \$466,319 for a total debt of \$3,867,000 from the state revolving loan fund for water system improvements. The total outstanding debt on the revolving loan at June 30, 2012 was \$3,727,000.

See Note 5 to the financial statements for more information on the City's long-term debt.

ECONOMIC FACTORS

The City of Sergeant Bluff continues to report slow yet steady residential and commercial property value growth, with residential property encompassing approximately 70% of the taxable property tax value and commercial/industrial uses encompassing the remaining 30% of the tax base. Per capita property value is over \$55,000, which represents a fairly strong number. The assessed property tax base has increased, on average, about 5.4% annually over the past 5 years, while property tax collections have increased 4.0% over the same time-frame.

This steady growth has allowed the City to maintain its high level of service at a reasonable property tax rate. The sales tax portion of the City's revenue base has also continued to remain steady during a time when other communities have struggled. The City has budgeted for use of the General Fund balance in past years, and has done so this year as well due to the large cash balance at the end of the 2011 fiscal year (cash balance was 32% of expenditures at that time). Efforts have been taken in current and future planning (fiscal years 2011 through 2014) to use excess capital in the General fund balance to fund one-time capital projects in a process to bring the General Fund closer to a 25% of expenditure level in future years. Fiscal Year 2012 ended with a 34% fund balance, which is in line with the long-term goal.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Sergeant Bluff's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sergeant Bluff, Administration Office, Sergeant Bluff, Iowa.

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 1,244,563	\$ 1,557,867	\$ 2,802,430
Investments	580,391	2,883,472	3,463,863
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	36,172	535,205	571,377
Taxes	12,046	-	12,046
Subsequent Year Taxes	1,832,758	-	1,832,758
Estimated Unbilled Usage	-	147,326	147,326
Due from Other Governmental Agencies	108,773	20,689	129,462
Inventories	-	246,614	246,614
Prepaid Assets	63,299	44,294	107,593
Bond Issue Costs	70,884	54,694	125,578
Land	393,109	469,777	862,886
Construction in Progress	169,294	2,261,619	2,430,913
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,315,972	14,467,767	25,783,739
Total Assets	15,827,261	22,689,324	38,516,585
LIABILITIES			
Accounts Payable	100,451	851,306	951,757
Accrued Wages and Related Taxes	37,706	10,380	48,086
Accrued Expenses	36,476	3,260	39,736
Accrued Interest Payable	6,517	18,290	24,807
Claims Incurred But Not Reported	3,846	-	3,846
Customer Deposits	-	42,688	42,688
Unearned Revenue	530	-	530
Deferred Revenue - Subsequent Year Taxes	1,832,758	-	1,832,758
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	145,000	145,000
General Obligation Bonds	372,045	397,955	770,000
Compensated Absences and Benefits	47,347	26,229	73,576
Due in more than one year:			
Revenue Bonds	-	3,582,000	3,582,000
General Obligation Bonds	2,717,732	2,857,268	5,575,000
Net OPEB Liability	10,359	-	10,359
Total Liabilities	5,165,767	7,934,376	13,100,143
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,788,598	10,538,908	19,327,506
Restricted for:			
Debt Service	154,063	-	154,063
Specific Tax Levy Purposes	17,690	-	17,690
Local Option Sales Tax Purposes	321,543	-	321,543
Street Purposes	262,392	-	262,392
Fire Department Purposes	192,912	-	192,912
Unrestricted	924,296	4,216,040	5,140,336
Total Net Assets	\$ 10,661,494	\$ 14,754,948	\$ 25,416,442

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,181,221	\$ 127,821	\$ 48,227	\$ -
Public Works	966,161	59,386	398,559	26,874
Health and Social Services	8,884	-	-	-
Culture and Recreation	596,153	212,440	15,488	-
Community and Economic Development	59,649	600	25,925	-
General Government	544,631	29,209	-	-
Debt Service	105,098	-	-	-
Total governmental activities	<u>3,461,797</u>	<u>429,456</u>	<u>488,199</u>	<u>26,874</u>
Business-Type Activities:				
Electric Utility	2,634,055	2,542,877	-	-
Water Utility	735,155	836,282	-	-
Sewer Utility	726,200	804,965	-	-
Solid Waste Utility	288,283	306,152	-	-
Storm Water Utility	<u>103,175</u>	<u>85,354</u>	<u>-</u>	<u>900,629</u>
Total Business-Type Activities:	<u>4,486,868</u>	<u>4,575,630</u>	<u>-</u>	<u>900,629</u>
Total Primary Government	<u>\$ 7,948,665</u>	<u>\$ 5,005,086</u>	<u>\$ 488,199</u>	<u>\$ 927,503</u>

General Revenues:

Property taxes, levied for general purposes
Property taxes, levied for tax increment financing debt
Property taxes, levied for employee benefits
Property taxes, levied for debt service
Local option sales tax
Hotel/Motel Taxes
Interest
Miscellaneous
Transfers
Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior Period Adjustment
Net assets - beginning (as restated)

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,005,173)	\$ -	\$ (1,005,173)
(481,342)	-	(481,342)
(8,884)	-	(8,884)
(368,225)	-	(368,225)
(33,124)	-	(33,124)
(515,422)	-	(515,422)
(105,098)	-	(105,098)
(2,517,268)	-	(2,517,268)
-	(91,178)	(91,178)
-	101,127	101,127
-	78,765	78,765
-	17,869	17,869
-	882,808	882,808
-	989,391	989,391
(2,517,268)	989,391	(1,527,877)
1,058,210	-	1,058,210
122,220	-	122,220
273,309	-	273,309
330,428	-	330,428
478,366	-	478,366
20,352	-	20,352
54,755	15,706	70,461
39,128	31,344	70,472
210,226	(210,226)	-
2,586,994	(163,176)	2,423,818
69,726	826,215	895,941
10,596,124	13,945,178	24,541,302
(4,356)	(16,445)	(20,801)
10,591,768	13,928,733	24,520,501
\$ 10,661,494	\$ 14,754,948	\$ 25,416,442

See Accompanying Note to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2012

	General	Debt Service
Assets		
Cash and Pooled Investments	\$ 426,266	\$ 158,242
Investments	505,391	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	36,172	-
Taxes	7,715	2,338
Subsequent Year Taxes	1,094,427	319,079
Due from Other Funds	57,476	-
Due from Other Governmental Agencies	-	-
Prepaid Assets	5,489	-
Total Assets	<u>2,132,936</u>	<u>479,659</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	81,564	-
Accrued Wages	37,706	-
Accrued Expenses	36,476	-
Claims Incurred But Not Reported	3,846	-
Due to Other Funds	-	-
Unearned Revenue	530	-
Deferred Revenue - Subsequent Year Taxes	1,094,427	319,079
Total Liabilities	<u>1,254,549</u>	<u>319,079</u>
Fund Balances:		
Nonspendable:		
Prepaid Items	5,489	-
Restricted for:		
Debt Service	-	160,580
Local Option Sales Tax Purposes	-	-
Street Purposes	-	-
Specific Tax Levy Purposes	-	-
Fire Department Purposes	-	-
Unassigned	872,898	-
Total Fund Balances	<u>878,387</u>	<u>160,580</u>
Total Liabilities and Equity	<u>\$ 2,132,936</u>	<u>\$ 479,659</u>

See Accompanying Notes to Financial Statements

Special Revenue Funds		Other		Total
Road Use	Local Option	Governmental	Governmental	
Tax	Sales Tax	Funds	Funds	
\$ 232,820	\$ 242,342	\$ 184,893	\$ 1,244,563	
-	-	75,000	580,391	
-	-	-	36,172	
-	-	1,993	12,046	
-	-	419,252	1,832,758	
-	-	-	57,476	
29,572	79,201	-	108,773	
-	-	-	5,489	
262,392	321,543	681,138	3,877,668	
-	-	18,887	100,451	
-	-	-	37,706	
-	-	-	36,476	
-	-	-	3,846	
-	-	57,476	57,476	
-	-	-	530	
-	-	419,252	1,832,758	
-	-	495,615	2,069,243	
-	-	-	5,489	
-	-	-	160,580	
-	321,543	-	321,543	
262,392	-	-	262,392	
-	-	17,690	17,690	
-	-	192,912	192,912	
-	-	(25,079)	847,819	
262,392	321,543	185,523	1,808,425	
\$ 262,392	\$ 321,543	\$ 681,138	\$ 3,877,668	

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Funds (page 18)	\$ 1,808,425
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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	11,878,375
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Accrued expenses from the balance sheet that require current financial resources for governmental activities	(6,517)
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Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	70,884
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Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	57,810
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	\$ (47,347)	
General Obligations Bonds	(3,089,777)	
Net OPEB Liability	<u>(10,359)</u>	(3,147,483)

Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 10,661,494</u></u>
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CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2012

	General	Debt Service
Revenue:		
Taxes	\$ 1,058,210	\$ 330,428
Tax increment financing	-	-
Other city taxes	20,352	-
Special Assessments	-	-
Licenses and Permits	26,813	-
Intergovernmental Revenue	48,348	-
Charges for Services	200,403	-
Fines and Forfeits	20,971	-
Contributions	40,413	-
Refunds/Reimbursements	57,786	-
Rental Income	52,348	-
Interest	54,479	-
Miscellaneous	39,077	-
Total Revenue	<u>1,619,200</u>	<u>330,428</u>
Expenditures:		
Public Safety	965,235	-
Public Works	424,370	-
Health and Social Services	8,884	-
Culture and Recreation	578,167	-
Community and Economic Development	59,322	-
General Government	540,359	-
Capital Projects	-	-
Debt Service	-	446,028
Total Expenditures	<u>2,576,337</u>	<u>446,028</u>
Excess (deficiency) of revenues over expenditures	<u>(957,137)</u>	<u>(115,600)</u>
Other financing sources (uses):		
Transfers In	1,130,532	133,377
Transfers Out	(128,000)	-
Total other financing sources (uses)	<u>1,002,532</u>	<u>133,377</u>
Net Change in Fund Balance	45,395	17,777
Fund balances - beginning of year	<u>832,992</u>	<u>142,803</u>
Fund balances - end of year	<u>\$ 878,387</u>	<u>\$ 160,580</u>

Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
Road Use Tax	Local Option Sales Tax		
\$ -	\$ -	\$ 273,309	\$ 1,661,947
-	-	122,220	122,220
-	478,366	-	498,718
-	-	1,600	1,600
-	-	-	26,813
397,660	-	26,874	472,882
-	-	32,037	232,440
-	-	-	20,971
-	-	1,778	42,191
-	-	-	57,786
-	-	-	52,348
-	-	276	54,755
51	-	37,498	76,626
397,711	478,366	495,592	3,321,297
-	-	47,706	1,012,941
-	-	-	424,370
-	-	-	8,884
-	-	-	578,167
-	-	-	59,322
-	-	-	540,359
-	-	142,998	142,998
-	-	-	446,028
-	-	190,704	3,213,069
397,711	478,366	304,888	108,228
-	-	-	1,263,909
(400,000)	(314,500)	(313,377)	(1,155,877)
(400,000)	(314,500)	(313,377)	108,032
(2,289)	163,866	(8,489)	216,260
264,681	157,677	194,012	1,592,165
\$ 262,392	\$ 321,543	\$ 185,523	\$ 1,808,425

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds (page 21) \$ 216,260

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 304,461	
Depreciation expense	<u>(805,438)</u>	(500,977)

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources 17,689

Accrued interest payable that does not require current financial resources 2,740

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was: (723)

Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources. (3,453)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities (28,308)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 366,498

Change in net assets of governmental activities (page 16) \$ 69,726

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2012

	Business Type Activities	
	Electric Utility	Water Utility
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 460,636	\$ 37,970
Investments	2,375,000	497,032
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	252,038	109,777
Estimated Unbilled Usage	84,497	30,028
Advances to Other Funds	800,000	-
Due from Other Governmental Agencies	20,689	-
Inventories	244,596	2,018
Prepaid Assets	17,825	13,661
Total current assets	<u>4,255,281</u>	<u>690,486</u>
Non-current assets:		
Bond Issue Costs	-	-
Land	-	231,820
Construction in Progress	54,653	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>850,227</u>	<u>8,577,988</u>
Total non-current assets	<u>904,880</u>	<u>8,809,808</u>
Total Assets	<u>5,160,161</u>	<u>9,500,294</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	387,095	4,523
Customer Deposits	35,954	6,734
Accrued Wages	5,468	2,376
Accrued Expenses	1,868	493
Accrued Compensated Absences	13,990	6,119
Accrued Interest Payable	-	12,191
Advance from Other Funds	-	-
Revenue Bonds Payable	-	145,000
General Obligation Bonds Payable	-	142,955
Total current liabilities	<u>444,375</u>	<u>320,391</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds	-	3,582,000
General Obligation Bonds	-	329,268
Total non-current liabilities	<u>-</u>	<u>3,911,268</u>
Total Liabilities	<u>444,375</u>	<u>4,231,659</u>
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	904,880	4,610,585
Unrestricted	3,810,906	658,050
Total Net Assets	<u>\$ 4,715,786</u>	<u>\$ 5,268,635</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 779,513	\$ 229,554	\$ 50,194	\$ 1,557,867
11,440	-	-	2,883,472
123,232	10,409	39,749	535,205
23,040	2,143	7,618	147,326
-	-	-	800,000
-	-	-	20,689
-	-	-	246,614
12,808	-	-	44,294
950,033	242,106	97,561	6,235,467
54,694	-	-	54,694
51,590	186,367	-	469,777
1,718,032	488,934	-	2,261,619
4,092,530	947,022	-	14,467,767
5,916,846	1,622,323	-	17,253,857
6,866,879	1,864,429	97,561	23,489,324
390,651	47,330	21,707	851,306
-	-	-	42,688
2,011	525	-	10,380
899	-	-	3,260
5,124	996	-	26,229
6,099	-	-	18,290
800,000	-	-	800,000
-	-	-	145,000
255,000	-	-	397,955
1,459,784	48,851	21,707	2,295,108
-	-	-	3,582,000
2,528,000	-	-	2,857,268
2,528,000	-	-	6,439,268
3,987,784	48,851	21,707	8,734,376
3,401,120	1,622,323	-	10,538,908
(522,025)	193,255	75,854	4,216,040
\$ 2,879,095	\$ 1,815,578	\$ 75,854	\$ 14,754,948

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 2,542,877	\$ 836,282
Total Operating Revenue	<u>2,542,877</u>	<u>836,282</u>
Operating Expenses:		
Cost of Service	2,551,557	407,134
Depreciation	82,498	170,910
Amortization	-	-
Total Operating Expenses	<u>2,634,055</u>	<u>578,044</u>
Operating Income (Loss)	(91,178)	258,238
Non-Operating Income (Expense):		
Interest Income	15,311	301
Other Non-operating Revenues	23,337	5,421
Interest Expense	-	(157,111)
Total Non-Operating Income (Expenses)	<u>38,648</u>	<u>(151,389)</u>
Income (Loss) before Transfers and Contributions	(52,530)	106,849
Capital Grant	-	-
Transfers In	-	-
Transfers Out	<u>(250,000)</u>	<u>(133,845)</u>
Change in Net Assets	(302,530)	(26,996)
Net Assets - Beginning	5,034,761	5,295,631
Prior Period Adjustment	<u>(16,445)</u>	<u>-</u>
Net Assets - Beginning (As Restated)	<u>5,018,316</u>	<u>5,295,631</u>
Net Assets - Ending	<u>\$ 4,715,786</u>	<u>\$ 5,268,635</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 804,965	\$ 85,354	\$ 306,152	\$ 4,575,630
804,965	85,354	306,152	4,575,630
503,146	83,726	288,283	3,833,846
139,036	19,449	-	411,893
6,221	-	-	6,221
648,403	103,175	288,283	4,251,960
156,562	(17,821)	17,869	323,670
94	-	-	15,706
2,586	-	-	31,344
(77,797)	-	-	(234,908)
(75,117)	-	-	(187,858)
81,445	(17,821)	17,869	135,812
-	900,629	-	900,629
-	220,500	-	220,500
(41,246)	(5,635)	-	(430,726)
40,199	1,097,673	17,869	826,215
2,838,896	717,905	57,985	13,945,178
-	-	-	(16,445)
2,838,896	717,905	57,985	13,928,733
\$ 2,879,095	\$ 1,815,578	\$ 75,854	\$ 14,754,948

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,515,414	\$ 767,084
Cash Paid to Suppliers for Goods and Services	(2,030,901)	(498,166)
Cash Paid to Employees for Services	(339,025)	(159,482)
Other Receipts	23,337	5,421
Net Cash Provided by Operating Activities	<u>168,825</u>	<u>114,857</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(68,325)	(188,334)
Proceeds from Grant	-	-
Proceeds from General Obligation Debt Issuance	-	-
Proceeds from SRF Loan	-	466,319
Principal Paid on Notes and Bonds	-	(283,503)
Interest & Bond Costs Paid	-	(146,290)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(68,325)</u>	<u>(151,808)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(250,000)	(133,845)
Operating Transfers from Other Funds	-	-
Advance (to) from Other Funds	66,667	-
Due from Other Governments	(20,689)	644,433
Due to Other Funds	-	(562,203)
Due from Other Funds	282,012	126,536
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>77,990</u>	<u>74,921</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	-	(301)
Interest and Dividends on Investments	15,311	301
Net Cash Provided from Investing Activities	<u>15,311</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	193,801	37,970
Cash and Cash Equivalents at Beginning of Year	<u>266,835</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 460,636</u></u>	<u><u>\$ 37,970</u></u>

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 776,163	\$ 83,845	\$ 300,382	\$ 4,442,888
758	(6,058)	(285,852)	(2,820,219)
(130,277)	(38,380)	-	(667,164)
2,586	-	-	31,344
649,230	39,407	14,530	986,849
(1,644,154)	(1,018,196)	-	(2,919,009)
-	900,629	-	900,629
2,040,000	-	-	2,040,000
-	-	-	466,319
(155,000)	-	-	(438,503)
(105,049)	-	-	(251,339)
135,797	(117,567)	-	(201,903)
(41,246)	(5,635)	-	(430,726)
-	220,500	-	220,500
(66,667)	-	-	-
-	-	-	623,744
(73,878)	(4,273)	-	(640,354)
-	-	-	408,548
(181,791)	210,592	-	181,712
(94)	-	-	(395)
94	-	-	15,706
-	-	-	15,311
603,236	132,432	14,530	981,969
176,277	97,122	35,664	575,898
\$ 779,513	\$ 229,554	\$ 50,194	\$ 1,557,867

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS - (Continued)
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (91,178)	\$ 258,238
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	82,498	170,910
Amortization	-	-
Miscellaneous Non-Operating Income	23,337	5,421
(Increase) Decrease in Assets:		
Accounts Receivable	(7,895)	(39,566)
Estimated Unbilled Usage	(16,914)	(12,753)
Prepays	3,727	11,413
Inventories	9,923	(31)
Increase (Decrease) in Liabilities		
Accounts Payable	170,608	(258,170)
Accrued Wages and Compensated Absences	1,538	(46)
Accrued Expenses	(4,165)	(3,680)
Unearned Revenue	-	(17,293)
Customer Deposits	(2,654)	414
Total Adjustments	260,003	(143,381)
Net Cash Provided by Operating Activities	168,825	114,857

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 156,562	\$ (17,821)	\$ 17,869	\$ 323,670
139,036	19,449	-	411,893
6,221	-	-	6,221
2,586	-	-	31,344
(23,628)	(1,257)	(4,896)	(77,242)
(5,174)	(251)	(873)	(35,965)
8,368	-	-	23,508
-	-	-	9,892
365,037	39,165	2,430	319,070
(68)	122	-	1,546
290	-	-	(7,555)
-	-	-	(17,293)
-	-	-	(2,240)
492,668	57,228	(3,339)	663,179
649,230	39,407	14,530	986,849

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
JUNE 30, 2012

ASSETS

Cash and Pooled Investments	\$ 5,758
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LIABILITIES

Accounts Payable	5,758
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NET ASSETS

Unrestricted	-
Total Net Assets	\$ -

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sergeant Bluff, Iowa, is a political subdivision of the State of Iowa located in Woodbury County, and was incorporated in 1854, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government elected on a nonpartisan basis with an appointed administrator and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, human development, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, the City of Sergeant Bluff, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Woodbury County Solid Waste Agency Board, Woodbury County E-911 Services Board and Woodbury County Conference Board.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues,

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.
- 3) Special Revenue - Road Use Tax Fund – The Special Revenue Road Use Tax Fund is used to account for the operation of the street maintenance and construction financed by allocations of state fuel taxes.
- 4) Special Revenue - Local Option Sales Tax Fund – The Special Revenue Local Option Sales Tax Fund is used to account for the revenues for the tax authorized by referendum and used for capital improvements, equipment and company programs and services.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electrical system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Storm Sewer Fund is used to account for the operation and maintenance of the City's storm sewer system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for a medical flexible spending account for employees.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end with the exception of expenditure driven grants for which a one-year availability period is used.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any service function.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

- 1) Cash and Cash Equivalents - Includes investments with original maturities of three months or less.
- 2) Investments - Consist of certificates of deposit with original maturities of more than three months and perfected repurchase agreements. The City reports certificates of deposit and perfected repurchase agreements at cost.

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011. Any county collections on the 2011-2012 tax levy remitted to the City within 60 days subsequent to June 30, 2012, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2012, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased and are immaterial and not recorded on the current financial statements.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.

K. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	20 – 50 Years
Utility Plant	30 – 33 Years
Land Improvements	20 – 50 Years
Machinery & Equipment	5 – 20 Years
Infrastructure	20 – 100 Years

L. Compensated Absences

The City accrues accumulated unpaid vacation costs and related employee benefits when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is reported only as a general liability in the government-wide statement of net assets and represents a reconciling item between the fund and government-wide presentations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

N. Fund Equity

Fund equity in the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

P. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2012, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2012.

At June 30, 2012 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	<u>Fair Value</u>
Certificates of deposits	\$ 113,863
Repurchase agreements	3,350,000
	<u>\$ 3,463,863</u>

The City's \$3,350,000 investment in repurchase agreements is held in the name of the City and

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

underlying securities (totaling \$4,285,000) are held by an authorized custodian of the City.

Interest Rate Risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City. The City manages its exposure to declines in the fair value of its investments by limiting maturities to less than one year.

The City's investments consist of certificates of deposits and repurchase agreements with the latest maturity extending to January, 2014.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Custodial Risk: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in possession of the outside party. Of the City's investments at June 30, 2012, the City has limited custodial credit risk exposure because all investments of the City must be held for the credit of the City in compliance with Iowa Code Chapter 12B. The counterparty must keep the securities in an account separate and apart from its own.

Note 3 - DUE FROM OTHER GOVERNMENTS

At June 30, 2012, amounts due from other governments were as follows:

Due from the Iowa Economic Development Authority for grant funding	\$ 20,689
Due from the State of Iowa for local option sales taxes	79,201
Due from the Iowa Department of Transportation for road use tax allocations	29,572
Total Due from Other Governments	<u>\$ 129,462</u>

As of June 30, 2012, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Capital Projects	\$ 57,476

These internal balances represent amounts due from/due to other funds to cover deficit cash balances.

As of June 30, 2012, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary – Electric	Proprietary – Sewer	\$ 800,000

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance June 30, 2011 (As Restated)	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,109	\$ -	\$ -	\$ 393,109
Construction in Progress	-	270,267	100,973	169,294
Total capital assets not being depreciated	393,109	270,267	100,973	562,403
Capital assets being depreciated:				
Buildings and Improvements	2,859,365	5,090	-	2,864,455
Equipment	3,037,517	29,104	13,573	3,053,048
Land Improvements	1,840,580	-	-	1,840,580
Infrastructure	14,312,061	100,973	-	14,413,034
Total capital assets being depreciated	22,049,523	135,167	13,573	22,171,117
Less: Accumulated Depreciation for:				
Buildings and Improvements	475,341	77,663	-	553,004
Equipment	1,922,263	231,117	13,573	2,139,807
Land Improvements	255,671	81,559	-	337,230
Infrastructure	7,410,005	415,099	-	7,825,104
Total Accumulated Depreciation	10,063,280	805,438	13,573	10,855,145
Total capital assets being depreciated, net	11,986,243	(670,271)	-	11,315,972
Governmental activities capital assets, net	\$ 12,379,352	\$ (400,004)	\$ 100,973	\$ 11,878,375

Construction in progress at June 30, 2012, for governmental activities, consisted of costs associated with the Warrior Road Project and South Lewis Boulevard projects.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2011 (As Restated)	Additions	Deletions	Balance June 30, 2012
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 283,410	\$ 186,367	\$ -	\$ 469,777
Construction in Progress	6,062,675	2,711,116	6,512,172	2,261,619
Total capital assets not being depreciated	6,346,085	2,897,483	6,512,172	2,731,396
Capital assets being depreciated:				
Buildings and Improvements	1,239,221	-	-	1,239,221
Equipment	824,821	21,525	-	846,346
Distribution System	8,962,207	6,512,172	-	15,474,379
Total capital assets being depreciated	11,026,249	6,533,697	-	17,559,946
Less: Accumulated Depreciation				
Buildings and Improvements	231,816	31,860	-	263,676
Equipment	409,472	88,574	-	498,046
Distribution System	2,038,998	291,459	-	2,330,457
Total Accumulated Depreciation	2,680,286	411,893	-	3,092,179
Total capital assets being depreciated, net	8,345,963	6,121,804	-	14,467,767
Business-type activities capital assets, net	\$ 14,692,048	\$ 9,019,287	\$ 6,512,172	\$ 17,199,163

Construction in progress at June 30, 2012, for the business-type activities, consisted of costs associated with the 1st Street Lift Station, switch gear upgrade project and storm water drainage project.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 203,536
Public Works	556,890
Culture and Recreation	30,656
General Government	14,029
Community and Economic Development	327
Total depreciation expense – governmental activities	<u>\$ 805,438</u>
Business-Type Activities:	
Water	\$ 170,910
Sewer	139,036
Electric	82,498
Storm Water	19,449
Total depreciation expense – business-type activities	<u>\$ 411,893</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 393,109	\$ 469,777
Construction in Progress	169,294	2,261,619
Capital Assets (net of accumulated depreciation)	11,315,972	14,467,767
Less: General Obligation Bonds Payable	3,089,777	3,255,223
Revenue Bonds	-	3,727,000
Add: Unspent Bond Proceeds	-	321,968
Invested in Capital Assets, Net of Related Debt	<u>\$ 8,788,598</u>	<u>\$ 10,538,908</u>

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit, as of June 30, 2012, is \$6,551,698 of which \$6,345,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2012:

	Governmental Activities	Business Type Activities	
	General Obligation		
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Total
<i>Primary Government:</i>			
Bonds payable			
July 1, 2011	\$ 3,456,275	\$ 1,513,725	\$ 4,970,000
Plus: Issued	-	2,040,000	2,040,000
Less: Payments	366,498	298,502	665,000
Bonds Payable			
June 30, 2012	<u>\$ 3,089,777</u>	<u>\$ 3,255,223</u>	<u>\$ 6,345,000</u>
Due within one year	<u>\$ 372,045</u>	<u>\$ 397,955</u>	<u>\$ 770,000</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds outstanding as of June 30, 2012 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2012	Due Within One Year
General Obligation:							
Corporate Purpose	2008	3.9-4.1%	2027	\$ 35,000-\$185,000	\$ 1,170,000	\$ 1,075,000	\$ 35,000
Corporate Purpose and Sewer Refunding	2009	3.9-4.1%	2020	\$145,000-\$365,000	2,715,000	2,040,000	345,000
Corporate Purpose	2010	1.6-3.0%	2017	\$175,000-\$300,000	1,550,000	1,190,000	290,000
Sewer Improvement	2011	2.0-3.5%	2029	\$100,000-\$150,000	2,040,000	2,040,000	100,000
Total General Obligation					\$ 7,475,000	\$ 6,345,000	\$ 770,000

Year Ending June 30	Business Type			Governmental			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 397,955	\$ 108,052	\$ 506,007	\$ 372,045	\$ 78,687	\$ 450,732	\$ 770,000	\$ 186,739	\$ 956,739
2014	410,408	92,644	503,052	374,592	77,725	452,317	785,000	170,369	955,369
2015	431,860	76,398	508,258	373,140	74,623	447,763	805,000	151,021	956,021
2016	255,000	58,952	313,952	320,000	71,059	391,059	575,000	130,011	705,011
2017	240,000	50,653	290,653	300,000	63,023	363,023	540,000	113,676	653,676
2018-2022	570,000	192,392	762,392	1,080,000	136,398	1,216,398	1,650,000	328,790	1,978,790
2023-2027	655,000	115,263	770,263	270,000	49,077	319,077	925,000	164,340	1,089,340
2028-2029	295,000	15,575	310,575	-	6,400	6,400	295,000	21,975	316,975
Total	\$3,255,223	\$ 709,929	\$ 3,965,152	\$3,089,777	\$ 556,992	\$3,646,769	\$6,345,000	\$1,266,921	\$7,611,921

Revenue Bonds

Details of Revenue Bonds outstanding at June 30, 2012 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Originally Issued	Outstanding June 30, 2012	Due Within One Year
SRF Water Revenue Bond 2010A	01/2010	3.0%	06/2031	Unknown	\$3,867,000	\$ 3,727,000	\$ 145,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 145,000	\$ 111,810
2014	150,000	107,460
2015	154,000	102,960
2016	159,000	98,340
2017	165,000	93,570
2018-2022	906,000	390,480
2023-2027	1,065,000	241,400
2028-2030	983,000	74,510
Total	\$ 3,727,000	\$ 1,220,530

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable					
General Obligation	\$ 3,456,275	\$ -	\$ 366,498	\$ 3,089,777	\$ 372,045
Compensated Absences	46,624	47,347	46,624	47,347	47,347
Other Post Employment Benefits	6,906	3,453	-	10,359	-
Governmental Activity Long-Term Liabilities	<u>3,509,805</u>	<u>50,800</u>	<u>413,122</u>	<u>3,147,483</u>	<u>419,392</u>
Business-Type Activities					
Bonds Payable:					
General Obligation	1,513,725	2,040,000	298,502	3,255,223	397,955
Revenue Bonds	3,400,681	466,319	140,000	3,727,000	145,000
Compensated Absences	26,492	26,229	26,492	26,229	26,229
Business-Type Activity Long-Term Liabilities	<u>\$ 4,940,898</u>	<u>\$ 2,532,548</u>	<u>\$ 464,994</u>	<u>\$ 7,008,452</u>	<u>\$ 569,184</u>

Note 6 - TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Storm Water	Nonmajor Governmental	Governmental Activities	Total Transfers Out
General	\$ -	\$ -	\$ 128,000	\$ -	\$ -	\$ 128,000
Road Use Tax	300,000	-	-	100,000	-	400,000
LOST	222,000	-	92,500	-	-	314,500
Water	37,950	-	-	-	95,895	133,845
Sewer	36,500	-	-	-	4,746	41,246
Electric	250,000	-	-	-	-	250,000
Storm Water	4,082	-	-	-	1,553	5,635
Nonmajor Governmental	280,000	133,377	-	-	-	413,377
Total Transfers In	<u>\$1,130,532</u>	<u>\$ 133,377</u>	<u>\$ 220,500</u>	<u>\$ 100,000</u>	<u>\$ 102,194*</u>	<u>\$1,686,603</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

* To account for capital assets purchased by enterprise funds and transferred to governmental funds.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 – RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salary. Law enforcement employees are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$105,475, \$100,281 and \$95,992, respectively, equal to the required contributions for each year.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits. All coverage ceases when the retiree attains 65 or becomes eligible for Medicare except for COBRA continuation if elected.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 3,453
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	3,453
Contributions made	-
Increase in net OPEB obligation	3,453
Net OPEB obligation beginning of year	6,906
Net OPEB obligation end of year	<u>\$ 10,359</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2010, 2011 and 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 3,453	0%	\$ 3,453
June 30, 2011	\$ 3,453	0%	\$ 6,906
June 30, 2012	\$ 3,453	0%	\$ 10,359

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$16,092, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,092. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,180,000 and the ratio of the UAAL to covered payroll was 1.3%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the alternative measurement method was used. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. At that time continued participation was assumed to be 10%.

Projected claim costs of the medical plan are \$11,031 annually for retirees less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9 - DEFICIT FUND EQUITY

The City has one fund with a deficit equity balance at June 30, 2012. The City intends to finance this deficit from various resources including general funds and capital project debt financing.

The individual fund deficit was as follows:

Capital Projects	\$ 25,079
------------------------	-----------

Note 10 - RISK MANAGEMENT

The City of Sergeant Bluff is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 11 - COMMITMENTS

During the year ended June 30, 2012, and in previous years the City had entered into several construction contracts totaling approximately \$8,445,406 of which approximately \$7,415,786 has been expended to date. The remaining balance will be paid as work progresses.

Note 12 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$9,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance as of June 30, 2012 was not determinable.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2012

Note 13 - COMMUNITY ECONOMIC BETTERMENT (CEBA) LOAN

On December 15, 1998, the City received \$175,000 from the Iowa Department of Economic Development under a CEBA loan agreement. The City subsequently loaned \$175,000 to a private business. No interest or principal payments are required during the first and second years. At the project completion date, \$1,250 will be forgiven for each new job created and the balance remaining will be amortized over the remaining three years in equal annual payments with 6 percent per annum interest. The City's liability for repayment of this loan is limited to those amounts the City collects through its good faith enforcement of security interest with the business; therefore, the liability for this loan is not included in the Government-Wide Financial Statements.

NOTE 14 – SPLIT FUNDING HEALTH INSURANCE PLAN

The City's Split Funding Health Insurance Fund was established in 2008 to account for the partial self-funding of the City's health insurance plan. The plan is funded by City contributions and is administered through a service agreement with TrueNorth. The agreement is subject to automatic renewal provisions. The City assumes liability for deductible amounts of \$300 to \$1,400 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the City's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the general, water, sewer and electric funds based on a percentage of the number of employees paid out of each fund to the total number of employees covered under the plan.

Claims payable and estimated claims incurred but not reported are recorded as a liability in the general fund.

Claims Payable at June 30, 2011	\$ -
Claims Incurred	24,050
Claims Paid	<u>(20,204)</u>
Claims Payable at June 30, 2012	<u>\$ 3,846</u>

Note 15 – PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that the City had overstated its governmental and business-type capital assets in error. It was determined that \$4,356 of infrastructure had been incorrectly recorded in the government-wide infrastructure, property and equipment. To correct the error, infrastructure, property and equipment, net of accumulated depreciation was restated to reflect the reduction in capital assets of the City. The governmental activities beginning net assets of the City were decreased by \$4,356 as a result of the adjustments.

It also was determined that \$16,445 of equipment additions was improperly included in error. To correct the error, business-type infrastructure, property and equipment, net of accumulated depreciation was restated to reflect the reduction in capital assets. Consequently, the business-type activities beginning net assets have been decreased by \$16,445 as a result of the adjustment.

Note 16 - SUBSEQUENT EVENT

In July 2012 the City approved the issuance of General Obligation Sewer Improvement Bonds, Series 2012, in the principal amount of \$650,000. These bonds carry a maturity date of June 1, 2032 and interest of 3.0%. These bond proceeds are to be used to finance the construction of sanitary sewer improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES

BUDGET AND ACTUAL (CASH BASIS)- GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2012

	Actual Amounts			Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Governmental Funds	Proprietary Funds	Total Actual	Original	Final	
Revenue:						
Property Taxes	\$ 1,625,960	\$ -	\$ 1,625,960	\$ 1,654,972	\$ 1,654,972	\$ (29,012)
Tax increment financing	133,345	-	133,345	132,687	132,687	658
Other city tax	517,333	-	517,333	429,610	429,610	87,723
Special Assessments	1,600	-	1,600	-	-	1,600
Licenses and permits	26,813	-	26,813	18,975	18,975	7,838
Intergovernmental revenue	611,705	1,524,374	2,136,079	1,249,774	1,549,774	586,305
Charges for services	196,268	4,442,889	4,639,157	4,946,475	4,946,475	(307,318)
Use of money and property	52,348	-	52,348	60,000	60,000	(7,652)
Interest	54,755	15,706	70,461	-	-	70,461
Miscellaneous	127,201	31,344	158,545	41,450	41,450	117,095
Total Revenue	3,347,328	6,014,313	9,361,641	8,533,943	8,833,943	527,698
Expenditures:						
Public safety	987,949	-	987,949	1,213,895	1,213,895	225,946
Public works	406,132	-	406,132	438,430	508,430	102,298
Health and Social Services	8,884	-	8,884	9,600	10,600	1,716
Culture and recreation	565,126	-	565,126	567,250	587,250	22,124
Community and economic development	58,228	-	58,228	72,300	72,300	14,072
General government	500,245	-	500,245	576,240	581,240	80,995
Capital projects	124,111	-	124,111	-	130,000	5,889
Debt service	446,028	-	446,028	811,618	861,618	415,590
Business type activities	-	7,096,234	7,096,234	7,049,036	8,049,036	952,802
Total Expenditures	3,096,703	7,096,234	10,192,937	10,738,369	12,014,369	1,821,432
Excess (deficiency) of revenues over expenditures	250,625	(1,081,921)	(831,296)	(2,204,426)	(3,180,426)	2,349,130
Other financing sources (uses):						
Proceeds from issuance of debt	-	2,040,000	2,040,000	2,066,600	3,706,600	(1,666,600)
Proceeds from SRF Loan	-	466,319	466,319	-	-	466,319
Interfund Transfers In	1,363,909	220,500	1,584,409	1,898,525	2,058,525	(474,116)
Interfund Transfers Out	(1,255,877)	(430,726)	(1,686,603)	(1,898,525)	(2,058,525)	371,922
Total other financing sources (uses)	108,032	2,296,093	2,404,125	2,066,600	3,706,600	(1,302,475)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	358,657	1,214,172	1,572,829	\$ (137,826)	\$ 526,174	\$ 1,046,655
Fund balances-beginning of year	1,466,297	3,227,167	4,693,464			
Fund balances- end of year	\$ 1,824,954	\$ 4,441,339	\$ 6,266,293			

CITY OF SERGEANT BLUFF, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2012

	Governmental Funds			Proprietary Funds		
				Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,347,328	\$ (26,031)	\$ 3,321,297	\$ 6,014,313	\$ (1,391,633)	4,622,680
Expenditures/expenses	3,096,703	116,366	3,213,069	7,096,234	(2,609,366)	4,486,868
Net	250,625	(142,397)	108,228	(1,081,921)	1,217,733	135,812
Other financing sources, net	108,032	-	108,032	2,296,093	(1,605,690)	690,403
Beginning fund balances/net assets	1,466,297	125,868	1,592,165	3,227,167	10,701,566	13,928,733
Ending fund balances/net assets	\$ 1,824,954	\$ (16,529)	\$ 1,808,425	\$ 4,441,339	\$ 10,313,609	\$ 14,754,948

CITY OF SERGEANT BLUFF, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the year, there was one budget amendment which increased budgeted expenditures for Public Works, Health and Social Services, Culture and Recreation, General Government, Debt Service, and Capital Projects functions, as well as, expenditures for proprietary funds. This increase was required due to a general increase in operation costs, local flooding and the replacement of a lift station not previously budgeted for by the City. The City also increased intergovernmental revenues and other financing sources as a result of reimbursements for the water plan project and additional borrowing necessary for the lift station project. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any service function.

CITY OF SERGEANT BLUFF, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
For the Year Ended June 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009 *	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2011	July 1, 2009	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2012	July 1, 2009	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%

* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2012

	Special Revenue Funds		
	Employee Benefits	Tax Increment Financing	Volunteer Fire Dept
Assets			
Cash and Pooled Investments	\$ 15,697	\$ -	\$ 117,912
Investments	-	-	75,000
Receivables (Net, where applicable, of for uncollectibles)			
Taxes	1,993	-	-
Subsequent Year Taxes	299,113	120,139	-
Total Assets	316,803	120,139	192,912
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	-	-
Due to Other Funds	-	-	-
Subsequent Year Taxes	299,113	120,139	-
Total Liabilities	299,113	120,139	-
Fund Balances			
Restricted for:			
Specific Tax Levy Purposes	17,690	-	-
Fire Department Purposes	-	-	192,912
Unassigned	-	-	-
Total Fund Balances	17,690	-	192,912
Total Liabilities and Equity	\$ 316,803	\$ 120,139	\$ 192,912

		Total Governmental Nonmajor Funds	
Capital Projects			
\$	51,284	\$	184,893
	-		75,000
	-		1,993
	-		419,252
	51,284		681,138

18,887	18,887
57,476	57,476
-	419,252
76,363	495,615

-	17,690
-	192,912
(25,079)	(25,079)
(25,079)	185,523
\$ 51,284	\$ 681,138

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2012

	Special Revenue Funds		
	Employee Benefits	Tax Increment Financing	Volunteer Fire Dept
Revenue:			
Taxes	\$ 273,309	\$ -	\$ -
Tax increment financing		122,220	-
Special Assessments	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	32,037
Contributions	-	-	1,778
Interest	-	-	276
Miscellaneous	-	-	37,498
Total Revenue	273,309	122,220	71,589
Expenditures:			
Public Safety	-	-	47,706
Capital Projects	-	-	-
Total Expenditures	-	-	47,706
Excess of revenues over expenditures	273,309	122,220	23,883
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	(280,000)	(133,377)	-
Total other financing sources (uses)	(280,000)	(133,377)	-
Net Change in Fund Balance	(6,691)	(11,157)	23,883
Fund balances - beginning of year	24,381	11,157	169,029
Fund balances - end of year	\$ 17,690	\$ -	\$ 192,912

Capital Projects	Total Governmental Nonmajor Funds
\$ -	\$ 273,309
-	122,220
1,600	1,600
26,874	26,874
-	32,037
-	1,778
-	276
-	37,498
28,474	495,592
-	47,706
142,998	142,998
142,998	190,704
(114,524)	304,888
100,000	100,000
-	(413,377)
100,000	(313,377)
(14,524)	(8,489)
(10,555)	194,012
\$ (25,079)	\$ 185,523

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
FLEX				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 6,851	\$ 10,270	\$ 11,363	\$ 5,758
Total Assets	6,851	10,270	11,363	5,758
<u>Liabilities</u>				
Accounts Payable	6,851	10,270	11,363	5,758
Total Liabilities	\$ 6,851	\$ 10,270	\$ 11,363	\$ 5,758

CITY OF SERGEANT BLUFF
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Nine Years Ended June 30

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property tax	\$ 1,661,947	\$ 1,619,049	\$ 1,624,757	\$ 1,561,438
Tax increment financing revenue	122,220	114,309	87,956	22,371
Other city tax	498,718	389,905	390,381	368,402
Licenses and permits	26,813	22,477	19,186	18,185
Intergovernmental	472,882	660,307	1,706,953	740,150
Charges for service	232,440	210,568	205,860	195,840
Proceeds from Sale of Assets	-	-	2,165	29,065
Use of money and property	107,103	117,393	113,200	80,622
Special assessments	1,600	6,519	3,970	-
Miscellaneous	197,574	130,540	158,523	144,973
Total	<u>\$ 3,321,297</u>	<u>\$ 3,271,067</u>	<u>\$ 4,312,951</u>	<u>\$ 3,161,046</u>
Expenditures:				
Operating:				
Public safety	\$ 1,012,941	\$ 1,103,491	\$ 1,386,082	\$ 1,101,673
Public works	424,370	358,414	428,516	452,415
Health and social services	8,884	10,200	2,400	-
Culture and recreation	578,167	554,559	463,002	356,831
Community and economic development	59,322	65,496	55,457	35,330
General government	540,359	552,778	481,894	311,718
Debt service	446,028	863,623	1,436,444	639,818
Capital projects	142,998	894,030	1,830,471	1,362,548
Total	<u>\$ 3,213,069</u>	<u>\$ 4,402,591</u>	<u>\$ 6,084,266</u>	<u>\$ 4,260,333</u>

Modified Accrual Basis				
2008	2007	2006	2005	2004
\$ 1,429,954	\$ 1,161,191	\$ 1,063,633	\$ 984,838	\$ 1,004,173
-	139,332	64,969	-	47,201
380,639	380,152	340,121	327,599	35,768
30,285	36,208	48,673	39,175	44,407
363,853	295,843	383,978	316,846	-
220,694	197,471	117,432	141,887	87,743
-	-	-	-	-
76,477	54,395	46,288	51,173	685,145
65,801	25,334	6,567	1,094	148,640
134,355	123,657	90,720	374,214	97,194
<u>\$ 2,702,058</u>	<u>\$ 2,413,583</u>	<u>\$ 2,162,381</u>	<u>\$ 2,236,826</u>	<u>\$ 2,150,271</u>
\$ 918,523	\$ 920,527	\$ 934,948	\$ 1,131,396	\$ 955,098
314,352	297,768	242,232	225,671	236,940
-	-	-	-	-
325,725	268,710	136,670	260,106	295,518
33,609	124,156	62,889	93,899	94,772
453,175	339,113	281,676	266,095	325,995
645,238	559,782	902,415	559,441	618,256
598,026	503,037	549,773	1,037,788	497,679
<u>\$ 3,288,648</u>	<u>\$ 3,013,093</u>	<u>\$ 3,110,603</u>	<u>\$ 3,574,396</u>	<u>\$ 3,024,258</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF SERGEANT BLUFF, IOWA as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

Management of the City of Sergeant Bluff is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sergeant Bluff, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items II-A-12 and II-B-12 to be material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Sergeant Bluff's financial statements are free of material misstatement, we performed tests of its compliance with certain

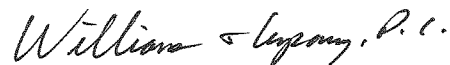
provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sergeant Bluff, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City of Sergeant Bluff, Iowa's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.



Certified Public Accountants

March 20, 2013
Le Mars, Iowa

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings
For the Year Ended June 30, 2012

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weaknesses:

II-A-12 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables and capital assets.

Conclusion – Response accepted.

II-B-12 Segregation of Duties

Observation - During the audit, it was noted that the individual who creates the utility bills also enters the rates and makes all the adjustments to the utility billing software. It was also noted that the individual that prepares the payroll checks also has the ability to make rate changes in the payroll master file and distributes the signed payroll checks. These incompatible duties gives those individuals the ability to perpetrate and conceal errors or fraud.

Recommendation - The City should implement a system of segregation of responsibility and review and monitoring functions for the payroll and the utility billing functions.

Response - The city is aware of the nature of the weakness and the necessity to establish more effective controls. Procedures will be reviewed and changes will be implemented as deemed necessary and practical.

Conclusion - Response accepted.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings
For the Year Ended June 30, 2012

Part III: Other Findings Related to Statutory Reporting:

- III-A-12 - Certified Budget** – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- III-B-12 - Questionable Expenditures** - We noted no questionable expenditures during our audit.
- III-C-12 - Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-12 - Business Transactions** – No business transactions between the City and City employees were noted.
- III-E-12 - Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-12 - Cash and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-G-12 - Financial Report** – The Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should file the annual financial report by December 1 as required by the Code of Iowa.

Response – We will file the annual financial report by December 1 each year.

Conclusion – Response accepted.

- III-H-12 - Council Minutes** – We noted no transactions requiring approval which had not been approved by Council.
- III-I-12 - Revenue Bonds** – No violations of revenue bond resolutions were noted.
- III-J-12 - Publications** – The City did not publish annual gross salaries in accordance with Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish annual gross salaries as required.

Response – We will publish annual salaries as required.

Conclusion – Response accepted.